Bright Future

THE OPENING of trading in rapeseed in the Winnipeg Grain Exchange was fortuitously timed. For many months there has been considerable uncertainty as to the shape and size of the world's edible oil and protein meal balance. This has been due in part to uncertainties as to world sunflower production, the world fish oil and fish meal prospects, and the USA bean crop. On top of all this was piled the problem of changed balance in the world rapeseed structure (Table I).

Rapeseed is an important item in the world's fats and oils balance even though international trade volume is fairly small. It is largely consumed in the country of production, and in many countries it is grown for political or geographical rather than economic reasons. Among political reasons, especially important, are national desire for self sufficiency in a certain item because of currency consideration, and a desire not to lose "know how" in case of cut-off from other oilseed supplies. These can overwhelm the sometime economics of buying cheaper oils and seeds from elsewhere in the world. This could apply, of course, to growing any oilseeds not just rapeseed. Geographically, the reason for planting of rapeseed is often a specific one, not just a turn to an oil seed supply. This is because the weather and growing season needs of most major oilseeds are not met in countries located in far-north latitudes. In these northern areas only rapeseed (and sometimes sunflowers) can be grown successfully. It is difficult for most North Americans to realize how far north much of West Europe is, i.e. Copenhagen = Hudson Bay, Frankfort = Edmonton, and the agricultural problems that this can create. The weather in West Europe, however, is milder than in northern Canada, so that a winter rapeseed crop can be grown in Europe whereas only a spring crop is feasible in Canada.

Rapeseed has a long history of growth in the eastern world, but came in to relative prominence fairly late in the western. Even today the principal producing and consuming countries are India and China; neither exports nor imports any rapeseed, or oil, or meal. Annual fluctuation in the size of the rapeseed crop in those two countries makes no visible mark on the world oil price structure but there probably is an invisible influence. For instance, the size of Indian groundnut oil and groundnut meal sales to West Europe may be influenced by rapeseed result. A similar push-pull from rapeseed may be exerted on bean sales by Mainland China. This in turn could influence East European demand for USA beans especially should East and West European rapeseed production also be hurt. Chinese production is about a million metric tons. Guesses are that it may have been slightly higher this season than last.

The low Japanese production is significant because Japan normally imports some rapeseed even in a good production year. It is obvious that this season Japanese purchase requirements are enormous. Lack of available home or imported rapeseed is probably a factor in forcing up Japanese imports of USA beans and bean products this year. European demand should be good until the harvest of the winter-planted rapeseed and perhaps right up to the harvest time of the spring-planted crop. The winter in Europe has been relatively mild so far. This should mean low winter kill and consequently average or better-than-average yields. The key to European production, however, is in the heavier spring-sown crop. Italy has been Canada's best customer in Europe, but the big Mediterranean olive crops this year will probably mean poor sales to that country.

TABLE I

Rapeseed Production
(Thousand of Metric Tons)

	1963–64	1962–63
France	113,000	154,000
Sweden	87,000	128,000
West Germany	100,000	115,000
East Germany	165,000	180,000
Japan	109,000	240,000
Canada	200,000	133,000
Denmark	30,000	53,000
Poland	250,000	350,000

TABLE II

Rapeseed—Prairie Provinces

	Acreage	Yield bu/acre	Production—bu
1951–52	6,500	18.50	120,000
1952–53	18,500	15.02	278,000
1953–54	29,500	16.64	491,000
1954–55	40,000	14.44	578,000
1955–56	136,200	11.44	1,558,200
1956–57	351,900	17.04	5,996,400
1957–58	617,500	14.02	8,661,160
1958–59	626,000	12.40	7,762,000
1959–60	213,500	16.68	3,560,000
1960–61	763,000	14.58	11,120,000
1961–62	710,300	15.80	11,220,000
1962–63	371,200	15.80	5,860,000
1963–64	483,500	18.32	8,860,000

Canada is the world's largest exporter of rapeseed, shipping more than the total of all the other export countries combined. In Canada the growth area tends to be concentrated in north central Saskatchewan and Alberta. In these areas exceptionally high yields are obtained compared to elsewhere in the country.

Until the last few years, much of the Canadian rapeseed acreage was contracted in advance by a very few buyers. This resulted in reduced pricing competition in both buying from producers and selling overseas. In the last several years, the range of domestic buyers and overseas sellers has broadened considerably and the practice of contracting acreage has virtually disappeared. Canadian acreage, yield, production and exports all have oscillated rather widely over the years (Table II).

Canadian carryovers also have shifted widely, as exports do not necessarily perform the convenient service of responding properly to higher crop. Only price can force rapeseed into consumption beyond its natural fixed demand. This, in turn, means need for an attractive price spread to other oil seeds (Table III).

Because of the controlled nature of rapeseed trading in the past in Canada, old relationships between rapeseed and other seeds might not hold under totally free conditions. In general (Fig. 1), rapeseed has averaged about even with beans. Since the opening of futures, trading analysts have been searching for signs of any emergence of a new pattern. So far about all that can be said is that there are indications that rapeseed in Canadian funds might be high at 20¢ over beans in USA funds and low at 10¢ under, and high at 25¢ Canadian funds under flax Canadian funds and low at 45¢ Canadian under flax. A discount for rapeseed under beans appears the likely course based on a number of assumptions as to the discount of rapeseed oil and meal under the competing soybean product, and assuming a generally static relationship between oil prices and meal prices per pound. Other things being equal, the rapeseed bushel would be worth less than the soybean bushel because there are fewer pounds per bushel. Partly offsetting this is that the oil yield of rapeseed is 42% and meal 42%, or yield of the higher priced product much higher than is the case in beans.

Chemical and taste peculiarities of both rapeseed oil and rapeseed meal create problems in attempted assessment of

(Continued on page 54)

TABLE III

Canadian Rapeseed Balance
(Thousand Metric Tons)

	Est. 1963–64	1962–63	1961–62	1960–61
Opening stocks	35	95	35	5
	200	133	254	252
	235	228	289	257
Exports	150–160	132	150	183
Crush	40	39	27	18
Seed loss	22	22	17	21
	212–222	193	194	222